

Auditor's Summary

Financial and Compliance Audit of the Department of Health

Financial Statements, Fiscal Year Ended June 30, 2018



PHOTO: OFFICE OF THE AUDITOR

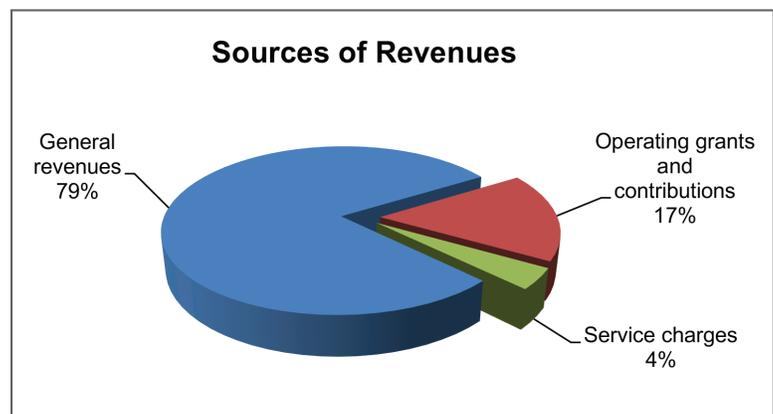
THE PRIMARY PURPOSE of the audit was to form an opinion on the fairness of the presentation of the financial statements for the Department of Health (DOH), as of and for the fiscal year ended June 30, 2018, and to comply with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), which established audit requirements for state and local governmental units that receive federal awards. The audit was conducted by KMH LLP.

About the Department

DOH administers and oversees statewide personal health services, health promotion and disease prevention, mental health programs, monitoring of the environment, and the enforcement of environmental health laws. DOH administers federal grants to support the State's health services and programs. DOH is organized into four major administrations: Behavioral Health Services Administration, Health Resources Administration, Environmental Health Administration, and General Administration.

Financial Highlights

FOR THE FISCAL YEAR ended June 30, 2018, DOH reported total revenues of \$775 million and total expenses of \$737 million, resulting in an increase in net position of \$38 million. Total revenues consisted of \$612 million from general revenues, \$135 million from operating grants and contributions, and \$28 million from service charges.

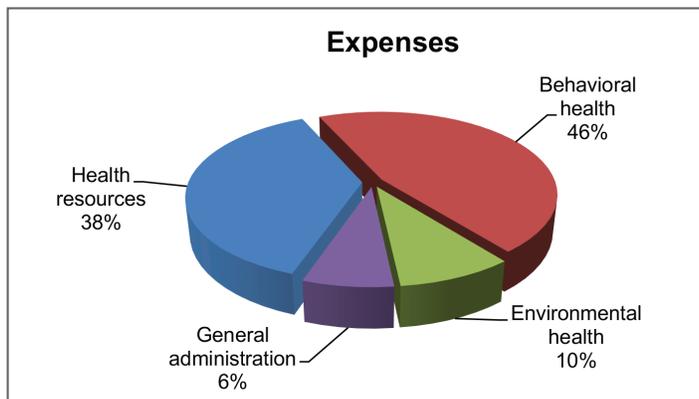


Total expenses of \$737 million consisted of \$278 million for health resources, \$339 million for behavioral health, \$72 million for environmental health, and \$48 million for general administration.

As of June 30, 2018, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by \$1.06 billion.

Total assets and deferred outflows of resources of \$1.2 billion were comprised of cash of \$554 million, receivables of \$76 million, loans receivable of \$490 million, deferred outflows of

resources of \$2 million, and net capital assets of \$82 million. Total liabilities and deferred inflows of resources totaled \$141 million. DOH's net position of \$1.06 billion was comprised of a restricted amount of \$778 million, of which \$718 million was for loans, an unrestricted amount of \$204 million, and net investment of capital assets of \$81 million.



Auditors' Opinions

DOH RECEIVED AN UNMODIFIED OPINION that the financial statements were presented fairly, in all material respects, in accordance with generally accepted accounting principles. DOH received a qualified opinion on its compliance with major federal programs in accordance with the *Uniform Guidance*.

Findings

THERE WAS ONE MATERIAL WEAKNESS and one significant deficiency in internal control over financial reporting that are required to be reported under *Government Auditing Standards*.

Material Weakness

- Audit adjustments were recorded to beginning net position related to clean air permit revenues.

Significant Deficiency

- The Deposit Beverage Container Program is susceptible to fraud because of an overreliance on self-reporting by distributors and redemption centers.

THERE WERE FOUR MATERIAL WEAKNESSES in internal control over compliance that are required to be reported in accordance with the *Uniform Guidance*.

Material Weaknesses (4)

- Federal financial reports were not submitted timely.
- Failure to follow subrecipient monitoring policy to ensure subrecipient compliance with federal requirements (2).
- Federal funds were not disbursed in a timely manner to comply with federal regulations.